



Northeast Hardwood Markets

Hardwoods make up a significant economic component of forests in the Northeast and Lake States. In the far north, the northern hardwood forest type may include maple, birch, beech, ash and, perhaps, an occasional oak. As one moves south, oaks become a more common and important component of the forest.

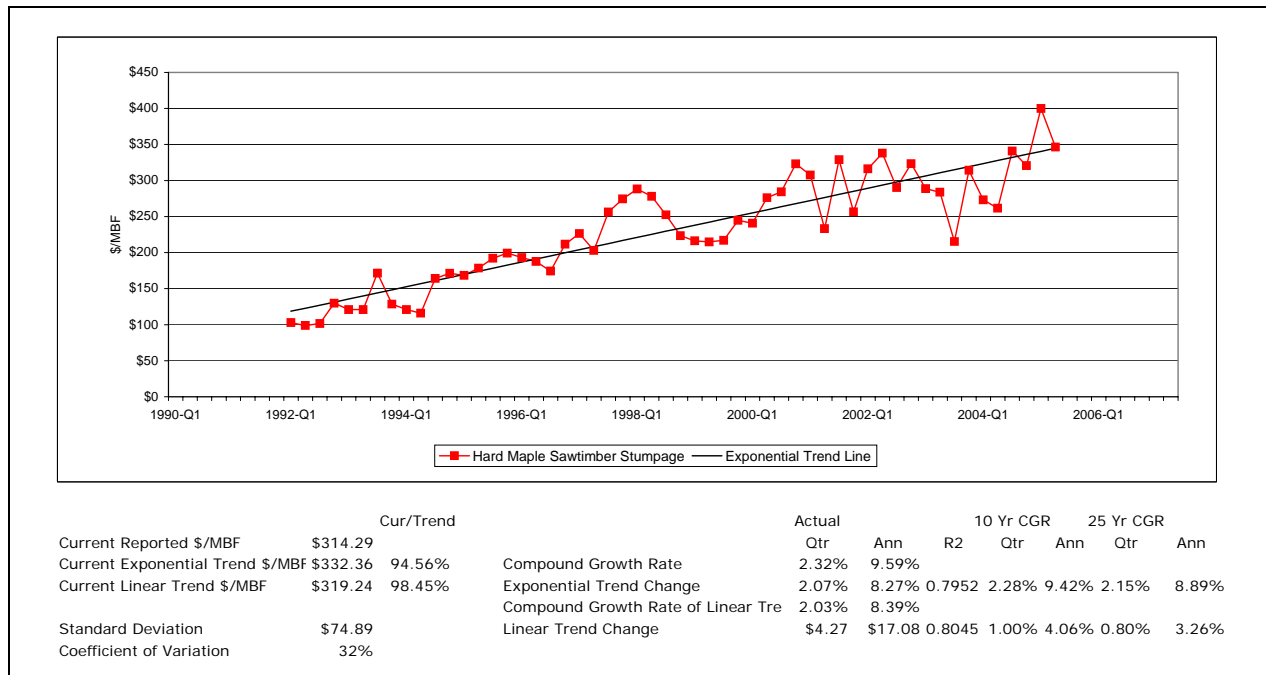
Consumer preferences are a major factor in hardwood markets and we are at the end of a long period when consumers preferred coarse-grained woods and are now showing a preference for fine-grained woods. Coarse-grained hardwoods have very prominent grain patterns—oaks are the best example. Fine-

grained hardwoods have much less noticeable grain patterns—hard maple (sugar maple) is a good example.

Figure 1 shows how quarterly hard maple sawtimber stumpage prices (real \$) have moved over the past 13 years in New Hampshire. Who wouldn't have been happy with this trend? Prices are up 9.6% annually over the analysis period.

But how have the coarse-grained hardwoods done? What has happened to the oaks as consumer preferences have changed?

Figure 1. New Hampshire Statewide Average Hard Maple Sawtimber Stumpage Prices (Real 2004\$)



Source: *New Hampshire Timberland Owners Association*

The *Hardwood Review* notes that oaks make up 36% of the hardwood growing stock in the United States and, as noted above, they are an important component of the forests in the southern parts of the Northeast and Lake States. Prices for the middle grades of red oak lumber fell 25-30% in 2005, and are now below 2001 prices. Prices for the higher grades have managed to keep climbing since 2003.

Figure 2 shows real statewide red oak prices from New Hampshire for the past 13 years. The compound growth rate over the period has been less than 1%. On the other hand, the average oak price has been very close to \$375/MBF, while the hard maple price has only recently approached this level. Would you rather have prices that started out low and grew at a 10% real rate or prices that started out high and stayed there?

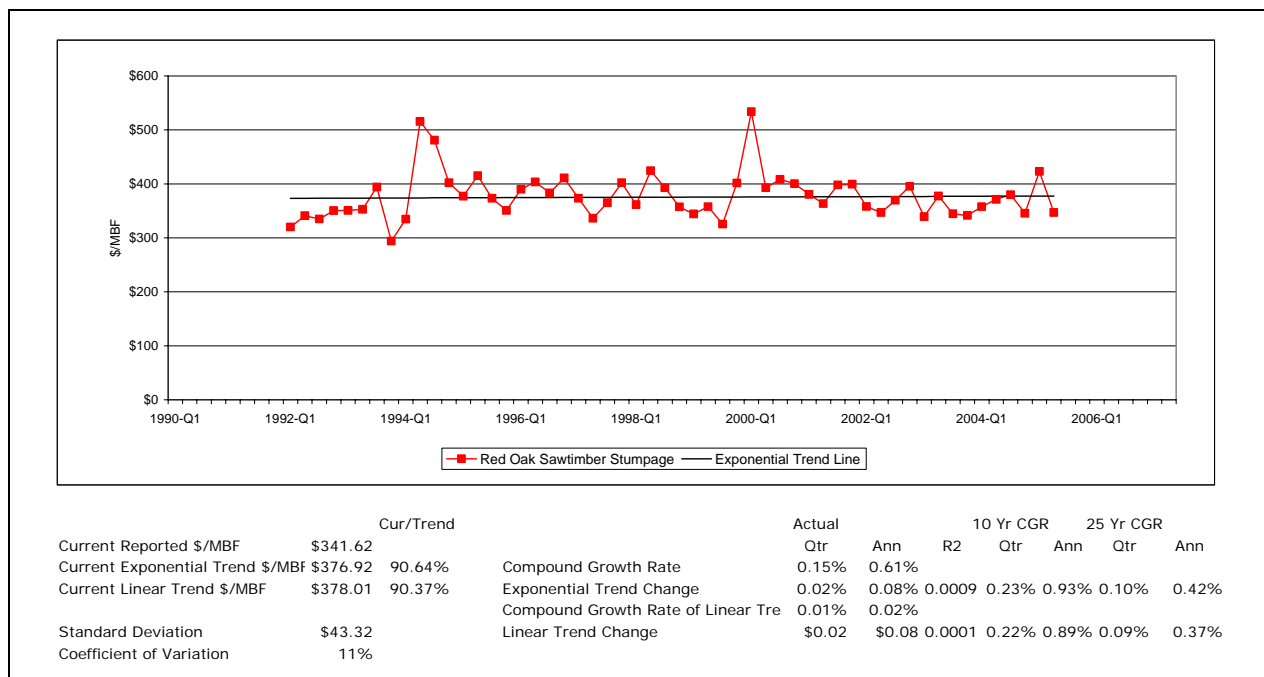
Sugar maple prices have been climbing since 1991 and red oak prices have been flat since then

in New Hampshire. What happened before that?

Figure 3 compares hard maple prices from New Hampshire and Vermont. Prices in the two states have been highly correlated (85%) since 1991, so it might not be too big a stretch to assume they behaved similarly before 1991. This means the great hard maple price increase since 1991 followed a period of declining prices that went back as far as 1981. What happened before that?

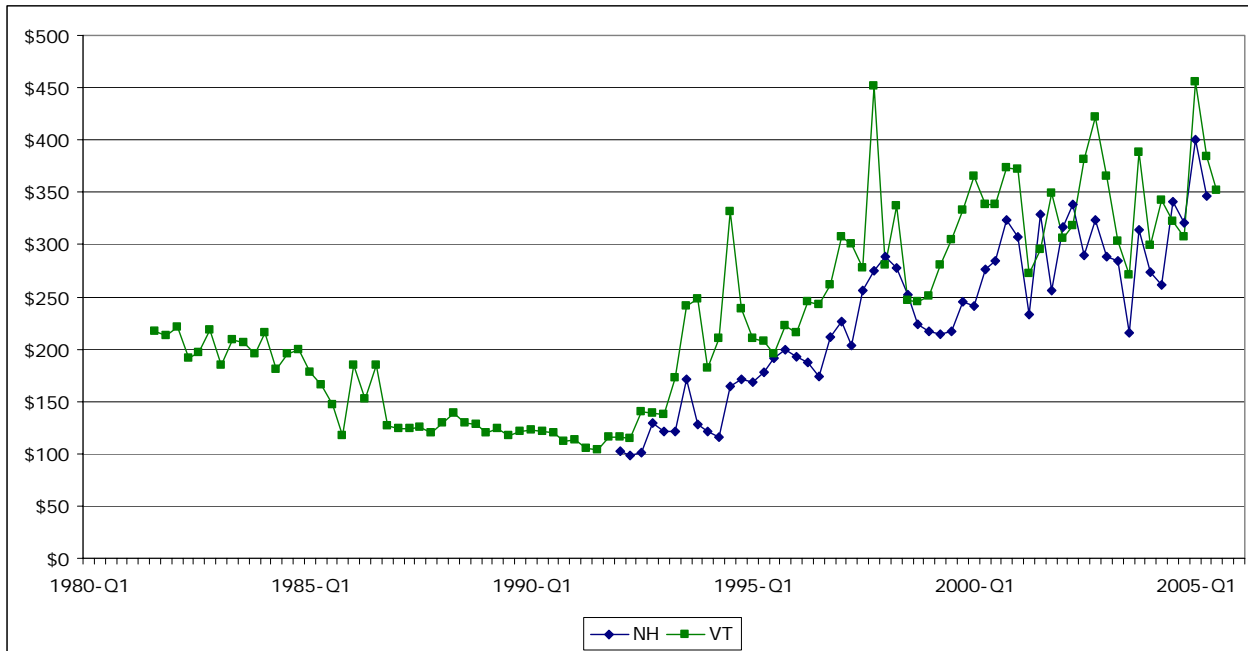
Figure 4 shows *annual* real hard maple sawtimber prices since 1955 for New Hampshire, Vermont and New York. (New York prices are published semi-annually, so annual average prices are used here to compare the three states.) Based on the behavior of the New York data, hard maple prices peaked 'way back in 1960 and had drifted downward until the early 1990s.

Figure 2. New Hampshire Statewide Average Red Oak Sawtimber Stumpage Prices (Real 2004\$)



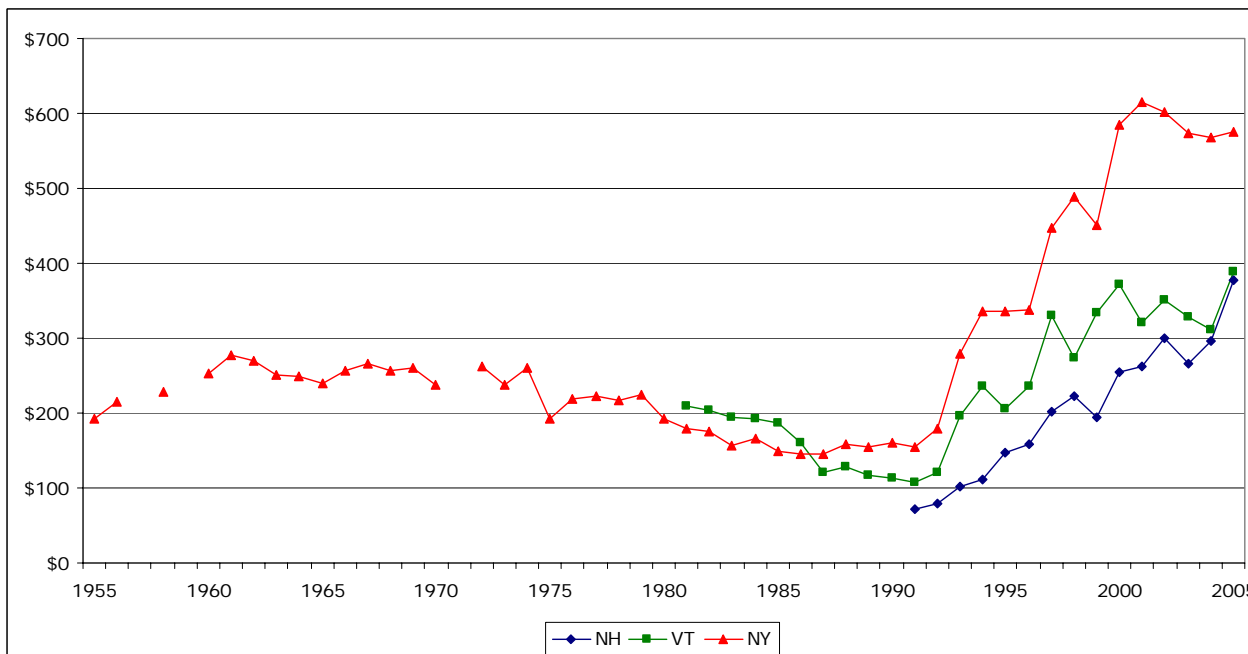
Source: New Hampshire Timberland Owners Association

Figure 3. New Hampshire and Vermont Statewide Average Hard Maple Sawtimber Stumpage Prices (Real 2004\$)



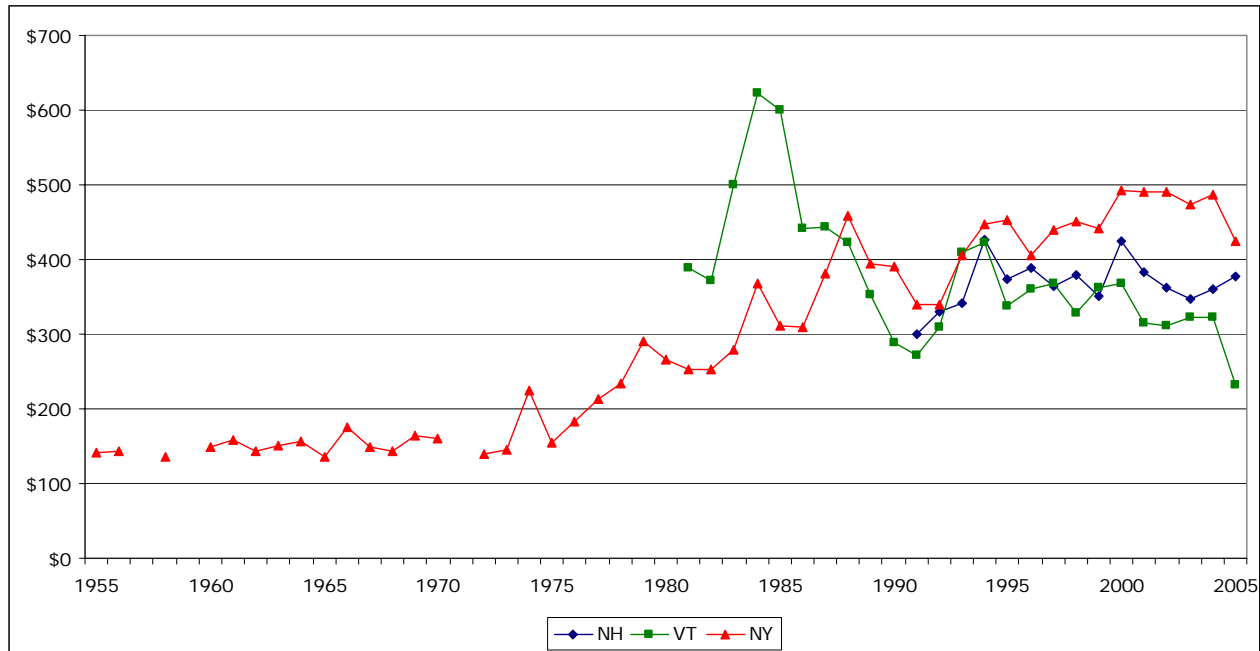
Source: New Hampshire Timberland Owners Association, Vermont Forest Quarterly

Figure 4. New Hampshire, Vermont and New York Statewide Average Hard Maple Sawtimber Stumpage Prices (Real 2004\$)



Source: New Hampshire Timberland Owners Association, Vermont Forest Quarterly, New York Division of Lands and Forests

Figure 5. New Hampshire, Vermont and New York Statewide Average Red Oak Sawtimber Stumpage Prices (Real 2004\$)



Source: *New Hampshire Timberland Owners Association, Vermont Forest Quarterly, New York Division of Lands and Forests*

Figure 5 shows red oak prices for the three states. Interestingly, the prices appear to behave differently in each state. Prices from New Hampshire are level, although the annual prices seem to have a little more upward drift than the quarterly data do. The Vermont prices have been drifting downward since 1985. The New York prices have been climbing fairly steadily since the 1970s.

Summary

The difference in red oak price behavior is a clear indicator that timber markets are not homogenous across the region. Timberland investors cannot rely on statewide prices when making investment decisions, but must look at the timber markets near their properties.

The data also show that the diversity of forest types in the Northeast (and Lake States) can provide investment diversification: as one species loses favor (and prices decline), another can become more popular (and prices rise).

References

George Barrett, February 10, 2006, *The New Oak Partnership*, in: *Hardwood Review Weekly*, Hardwood Review, Charlotte, NC

Forest Research Notes, Vol. 2, No. 4
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